



July 12, 2007

The Honorable Collin Peterson
Chairman
House Committee on Agriculture
1301 Longworth House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the undersigned taxpayer organizations, we are writing to express our concern about the lack of reform of dairy programs in your 2007 Farm Bill recommendations. The dairy subtitle as proposed in the "Chairman's mark" continues dairy subsidies that are trade-distorting, counterproductive, and a wasteful use of taxpayer dollars. Forward contracting, which would cost taxpayers nothing, was modified from the recommendation of the Subcommittee on Livestock, Dairy and Poultry, to make it ineffective.

The dairy industry has never been weaned from government supports that began more than 70 years ago. Today, this \$90 billion industry still looks to the government for regulated milk prices, government purchases and storage of surplus dairy products, and government direct payments to farmers when prices are low. Taxpayers pick up the tab. For example, under the 2002 Farm Bill, taxpayers paid an average of \$866 million each year for dairy programs, but according to USDA these programs delivered market benefits of less than \$240 million. These dairy programs epitomize government waste at its worst and the committee recommendations do nothing but continue this dismal failure.

We strongly support reinstating the permanent forward contracting that was unanimously recommended by the subcommittee. Unlike the other dairy programs in the bill, forward contracting is trade compliant and costs taxpayers nothing. It is a voluntary risk management tool widely used in all areas of agriculture, but not yet available to everyone in the dairy industry. The forward contracting program has been tested in the marketplace through the U.S. Department of Agriculture's forward contracting pilot program.

Allowing private business transactions between all milk buyers and sellers benefits everyone and is a fair deal for taxpayers and consumers. We support keeping forward contracting intact as proposed in the subcommittee mark; and ask that you fix the other dairy subsidies that don't work, such as the Dairy Price Support Program, the Milk Income Loss Compensation program, and the Federal Milk Marketing Orders.

Sincerely,



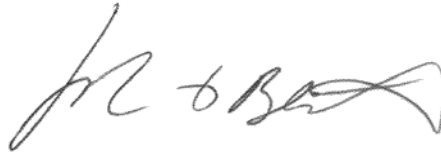
J. William Lauderback
Executive Vice President
The American Conservative Union



Thomas Schatz
President
Council for Citizens Against Government
Waste



Tim Phillips
President
Americans for Prosperity



John Berthoud
President
National Taxpayers Union



Grover Norquist
President
Americans for Tax Reform

cc:
House Committee on Agriculture